

PART 1 FOREIGN INFLUENCE

Chapter 3: National Policy Forum

Early in the investigation Chairman Thompson divided the hearings into two “phases” and focused the first phase on the issue of foreign money and foreign influence in the 1996 elections. There was evidence of foreign money going to both the Republican National Committee (“RNC”) and the Democratic National Committee (“DNC”), but there was no evidence that foreign money influenced any policy decisions of the Clinton Administration or that it had any bearing on the outcome of the 1996 presidential election. To the extent that foreign money may have influenced the 1994 Congressional elections, there is evidence with respect to money funneled to the Republican National Committee through the National Policy Forum (“NPF”).

Starting in 1993, Haley Barbour, the chairman of the RNC, carried out a scheme to collect foreign money by channeling the funds through the National Policy Forum, a tax-exempt organization controlled by the RNC. The RNC did this by arranging for a foreign businessman to put up collateral for a bank loan to the NPF. Shortly after the NPF received the loan, it transferred more than \$2 million to the RNC which, in turn, channeled the money into the 1994 congressional races around the country. The NPF subsequently defaulted on the bank loan -- freeing up still more money for the RNC in 1996.

While the evidence shows that foreign money in this case did not affect U.S. policy or the 1996 presidential election, it does suggest that foreign money played an important role for the RNC in the mid-term elections of 1994.

FINDINGS

- (1) RNC Chairman Haley Barbour and the RNC intentionally solicited foreign money for the NPF.**
- (2) The NPF was an arm of the RNC and, as the Internal Revenue Service concluded, was not entitled to tax-exempt status as a social welfare organization under section 501(c)(4) of the U.S. tax code.**
- (3) Barbour solicited Ambrous Young, a foreign national, and Young agreed to provide the collateral for a loan to NPF for the purpose of helping Republican candidates during the 1994 elections.**
- (4) The evidence before the Committee strongly supports the conclusion that Barbour and other RNC officials knew that the money used to collateralize the NPF loan came from Hong Kong. Barbour’s testimony that he did not know about the foreign source of the loan collateral was not credible.**

(5) As a result of NPF's default on the loan, the RNC improperly retained \$800,000 in foreign money during the 1996 election cycle.

INTRODUCTION

During the Committee's investigation into the 1996 election, which entailed 31 days of public testimony, the Minority was allowed to present witnesses on only three days. In that period, the Minority was able to demonstrate how the RNC solicited and benefitted from foreign corporate money channeled through a Florida shell corporation to collateralize a bank loan to the National Policy Forum -- a Republican National Committee-created "think tank." The proceeds of the loan went to the RNC. (Although this was not, technically speaking, a loan guarantee, it had the same effect. All parties involved in the transaction called it a guarantee, and that term is frequently used in this chapter for the sake of convenience.¹) As Senator Glenn noted in his opening statement on July 8, the first day of the Committee's hearings, "This story. . . is the only one so far where the head of a national political party knowingly and successfully solicited foreign money, infused it into the election process and intentionally tried to cover it up."² The testimony with respect to NPF supports Senator Glenn's statement.

The loan transaction may have constituted an illegal foreign contribution to the Republican National Committee. Ambrous Young, a Hong Kong businessman who had relinquished his American citizenship, transferred funds from Young Brothers Development (Hong Kong) to a U.S. company called Young Brothers Development (USA). This foreign money was used to provide collateral for a loan to the National Policy Forum from a U.S. bank. The loan proceeds were then transferred to the RNC which, in turn, used the money to fund Republican congressional campaigns in 1994. The evidence before the Committee shows that Haley Barbour, who was chairman of both the RNC and the NPF, solicited the loan guarantee, knew that the money was coming from a foreign source, and intended that the funds be used on behalf of Republican candidates. Some testimony suggests that Barbour intended from the very outset that the loan guarantee would be absorbed by his Hong Kong-based benefactor upon default by NPF.

The Minority's investigation of the National Policy Forum was hampered by a lack of cooperation from both witnesses and lawyers for the NPF. Although the Committee deposed 14 people, some individuals, such as former NPF President Daniel Denning, simply refused to answer a significant number of appropriate, substantive questions. Others, including Barbour, refused to be deposed until a few days before the hearings commenced. The lawyer for the NPF maintained that the subpoena issued on April 9 was invalid, and he refused to comply with it even after an order was issued by Chairman Thompson on July 3. The Majority never enforced the order.³

The documents received by the Committee were obtained almost entirely through voluntary production by individuals associated with Young Brothers, who fully cooperated with the investigation. Ambrous Young submitted to a voluntary deposition in London. His U.S. lawyer, Benton Becker, and his Washington representatives, Richard Richards and Steve

Richards, voluntarily offered their testimony to the Committee. Becker also voluntarily appeared at the Committee's hearings. Additionally, at the instruction of Ambrous Young, Becker made numerous documents relevant to the loan transaction available to the Committee, briefed the Majority and Minority staffs on the history and significance of the documents, and made YBD personnel available to Committee staff upon request. The Committee's investigation of the National Policy Forum was immeasurably enhanced by the cooperation it received from Ambrous Young, his counsel, and others associated with Young Brothers Development.

HALEY BARBOUR

Haley Barbour chaired the Republican National Committee from January 1993 until January 1997. A few months after becoming RNC chairman, Barbour founded the National Policy Forum; he chaired it while he was RNC chairman. Although Barbour did not oversee the NPF's day-to-day operations, he played an important role in its political activity, its fundraising, and its expenditure of funds.

Barbour was deposed by the Minority on July 20, 1997, and he testified voluntarily before the Committee on July 25. He denied knowledge of the origin of the funds used to guarantee the loan, disputed the view that the NPF was an arm of the RNC, and claimed that no one ever intended that the proceeds of the Young Brothers Development loan guarantee would be used in election campaigns. Barbour's version of events is contradicted at several key junctures by numerous witnesses as well as by documents obtained by the Committee.⁴

AMBROUS YOUNG

Ambrous Young was born and raised in mainland China but moved to Taiwan at an early age, adopting Taiwanese citizenship. In 1969, following his marriage to a U.S. citizen, Young became a U.S. citizen, but retained his Taiwan citizenship. He relinquished his U.S. citizenship in late 1993 or early 1994.⁵ By the 1980s, Young was a very rich man and a supporter of the Republican Party, as were his three sons. In the mid-1980s, Young became friendly with the then-RNC chairman, Richard Richards, who became an adviser and business associate.

In 1991, Alex Courtelis, the chairman of the RNC's "Team 100" donor program, approached Young about investing in real estate in Orlando, Florida. Courtelis owned several shopping centers in north Florida and he knew that Young was interested in making a major investment in the United States. He proposed that Young buy part of the Riverwalk Shopping Center in Orlando for approximately \$13 million.⁶ Young formed a Florida corporation, Young Brothers Development ("YDB (USA)"), to be the purchasing vehicle. Young's lawyer, Benton Becker, a former counsel to President Gerald Ford, was appointed an officer and director of the company, while Richard Richards, who served as Young's Washington representative, was designated president and chairman. The corporation was funded with \$2.7 million transferred from its Hong Kong parent corporation, Young Brothers Development ("YBD").⁷

The purchase of the shopping center fell through due to conflicting appraisals of the property's worth. Most of the \$2.7 million was transferred back to Hong Kong, but, as Becker testified, "some funds were retained by the Florida corporation to pay for a commitment Mr. Young has made to Mr. Courtelis during Mr. Young and Mr. Courtelis's discussion on the shopping center purchase."⁸

Courtelis had asked Young to become a member of Team 100, the Republican organization that required at least a \$100,000 contribution to the party to join. Young decided that the newly formed corporation, YBD (USA), should purchase the membership so that his sons and Richards could participate in Team 100-sponsored events. Courtelis directed that two checks be written: one for \$75,000 to the Republican National State Election Committee, and a second for \$25,000 to the Florida Republican Party. Over the course of the next two years YBD (USA) issued checks totaling nearly \$50,000 to various Republican entities. All of this money was supplied by the Hong Kong parent corporation. Acknowledging that this was foreign money being used to finance U.S. election activity, the RNC eventually returned these checks in 1997.

Young currently manages YBD as an international holding company for businesses ranging from aerospace to macadamia nuts in several countries around the globe, including China, Italy, and Australia.

ORIGIN OF THE NATIONAL POLICY FORUM

In 1993, Barbour, working with Donald Fierce, his friend, business partner, and RNC chief strategist, created the National Policy Forum as a "think tank" for the exchange of Republican ideas. The organization applied to the Internal Revenue Service for tax-exempt 501(c)(4) status, which would have prohibited if from engaging in partisan or primarily political activity. According to the testimony of several witnesses, Barbour touted the creation of NPF as a plank in his platform when he ran for the chairmanship of the RNC, stating that he believed that the Republican Party had failed to generate new ideas that could be integrated into a Republican ideology.⁹ In June 1993, Barbour announced that Michael Baroody, a prominent Republican, would be NPF's first president. Barbour himself was the chairman of NPF as well as the RNC, and he arranged for the RNC to provide NPF with several hundred thousand dollars in start-up money.¹⁰

Baroody was apparently committed to creating a genuine think tank. He set about implementing what he believed to be Barbour's vision of holding participatory conferences around the country on a variety of public policy issues ("the Forum"). He hired a large staff and began identifying conference sites and participants. However, it appears that, almost immediately, Baroody and Barbour began to clash over the operations of NPF. Baroody was interested in making the conferences open -- even bipartisan -- events where there would be a legitimate exchange of ideas. Barbour, on the other hand, appears to have wanted to use NPF to strengthen the Republican Party's base and to give the party's supporters an opportunity to participate in

formulating a national Republican policy platform. On at least one occasion, when Baroody suggested that a Democratic office holder participate in one of the conferences, Barbour objected.¹¹ Nevertheless, Barbour has characterized NPF as “the most participatory public policy institution ever,” and he claimed 10,000 people attended forums held in more than 30 states.”¹²

THE BARBOUR - BAROODY SPLIT

An even more contentious issue between Baroody and Barbour developed over the question of how to fund the Forum. Baroody felt that the Forum should embody American values and American issues and therefore believed foreign fundraising would be inappropriate. From the outset, however, Barbour wanted to explore foreign sources of fundraising. In an extraordinary memorandum, Scott Reed, the executive director of the Republican National Committee, listed “foreign” under the heading of “fundraising” as an issue to be discussed with Barbour in a meeting on June 2, 1993.¹³ From the inception of NPF, its creators were contemplating raising foreign money. This memorandum, written only weeks before the announcement of the creation of the National Policy Forum, is extraordinary for another reason: The RNC executive director was making recommendations on the structure, goals, and personnel for a supposedly independent, nonpartisan organization.

According to both Barbour and Baroody, they only discussed the issue of raising money from foreign sources on one occasion. That discussion nevertheless apparently led Baroody, who resigned one year later, to characterize Barbour as having a “fascination” with foreign money.¹⁴ Baroody testified that he never viewed a foreign contribution to the NPF as illegal, but later he recalled telling Barbour: “We could get the money; that would be easy. But it would be wrong.”¹⁵ As he explained in more detail during his testimony, he felt such a contribution would be “[i]nappropriate, unseemly, and imprudent.”¹⁶

As the rift between Barbour and Baroody deepened, Barbour brought in a trusted ally, Daniel Denning, as NPF executive vice president in early 1994. Denning had held numerous positions in the Republican Party and the federal government and was working for General Electric before joining NPF. With Denning in place, Barbour began an aggressive fundraising campaign. W. Lyons Brown, a wealthy Kentucky businessman and Republican contributor, was tapped to be fundraising chairman. Denning, with Barbour’s knowledge and presumed approval, continued to explore foreign sources of funding. Denning raised the issue of foreign fundraising with Baroody but was rebuffed, as Barbour had been before him.¹⁷ Unbeknownst to Baroody, Denning then approached Fred Volcansek, a former Commerce Department official under President Bush, international businessman, and GOP fundraiser, to be a fundraising consultant for NPF. According to Volcansek, Denning “was consumed with the need to raise money.”¹⁸ Volcansek testified that he, Denning, and Fierce met at Fierce’s northern Virginia home in the spring of 1994 to discuss foreign fundraising options. Baroody was kept out of the loop, even though, technically, Denning was his subordinate.¹⁹

FUNDING THE NPF

Fred Volcansek testified that at the meeting held at Fierce's home, he and the others discussed the need for funds for the "ongoing operations at the National Policy Forum" and noted that "the Republican National Committee was very interested in seeing that the National Policy Forum repaid [a loan it had outstanding with the RNC] so that the Republican National Committee could utilize those funds in appropriate ways during the 1994 election cycle. . . ." ²⁰ In other words, Volcansek's early discussions with a top RNC official, Fierce, were about raising money for NPF to help the GOP in 1994.

According to Volcansek, they also discussed where to seek the funds and what financing vehicle made the most sense. Fierce, Barbour's confidant, first suggested raising money from foreign sources. Fierce, Denning, and Volcansek decided on three possible sources of foreign money. They also decided that they should seek a loan guarantee and not a conventional loan because a loan guarantee could be arranged more quickly. What is significant about the meeting among Denning, Fierce, and Volcansek is that the NPF president, Michael Baroody, was not aware of their plans to raise foreign money. As Volcansek testified, "I neither met Mr. Baroody then or discussed anything with him then nor have I met him to this day." ²¹ Indeed, Baroody first learned of the meeting at Fierce's house when he testified before the Committee on July 23, 1997. ²²

Apparently, Volcansek's first choice for raising funds abroad did not pan out. Volcansek's second choice was Ambrous Young, whom he had met through Richard Richards. Volcansek and Richards were friends who had known each other in Utah and Washington, where Volcansek often visited Richards's offices. Volcansek recommended to Barbour that he approach Young to solicit a large contribution. ²³

BAROODY RESIGNS

On June 28, 1994, Michael Baroody submitted his resignation as president of NPF to Haley Barbour. Baroody submitted both a resignation letter and a confidential explanatory memorandum. ²⁴ While the letter only relayed Baroody's intent to resign, the memorandum, which the Committee obtained from sources other than the National Policy Forum, outlined in some detail Baroody's reasons for leaving. It is an extraordinary document. First and foremost, Baroody objected to Barbour's "fascination" with foreign money. Secondly, Baroody stated his belief that Barbour had allowed the ties between the NPF and the RNC to erase the necessary barriers between the two ostensibly independent entities. Baroody wrote: "I believe that what has happened over many months has undermined my efforts, distorted our purpose, blurred the separation of the RNC and the NPF in such a way as to conceivably jeopardize our 501 (c)(4) application, and has occasioned the inexcusable, heavy-handed treatment of volunteers with the NPF." Baroody continued:

I had understood at the outset that this would be an organization separate from the RNC.

Though both would be chaired by you, they would operate distinctly. I had this understanding not only because you and others told me so, but because the deliberate decision had been made to organize the NPF under section 501(c)(4) of the Federal Tax Code. That provision requires separate operation. Especially in recent months, it has become increasingly difficult to maintain the fiction of separation.²⁵

In his testimony before the Committee, Baroody repeated some of the examples that he had provided in his letter: the overlap of staff, the partisan nature of the conferences, the NPF's increasing indebtedness to the RNC, and the general lack of autonomy that he felt.²⁶

Barbour's testimony contradicted Baroody's statements. Barbour stated that the NPF "was and is a separate organization from any other organization."²⁷ Barbour categorically denied that the NPF was an "arm or subsidiary of the RNC." However, a number of documents contradict Barbour's assertion. For example, a memorandum obtained by the Committee from the files of Jo-Anne Coe, the former finance vice chairman of the RNC, referred to the NPF as "the Republican National Committee's 501(c)(4)."²⁸ Similarly, in an RNC document, Henry Barbour, Haley Barbour's nephew, referred to the NPF as an "issue development subsidiary" of the RNC.²⁹ A third document, from RNC Team 100 staff member Kevin Kellum, asked Barbour for his recommendation on how to distribute a \$1 million pledge from gambling magnate Steve Wynn. One option calls for the entire amount to go to the RNC or Republican Party affiliates. Two alternative options provide for anywhere from \$250,000 to \$500,000 to go to NPF, demonstrating that for financial purposes, NPF was closely enough tied to the RNC as to warrant a significant portion of a party contribution.³⁰ In addition to Baroody's views, Coe's memo, Henry Barbour's memo, and Haley Barbour's actions, there is a February 21, 1997, ruling by the Internal Revenue Service denying the NPF its 501(c)(4) status because it conducted itself in a highly partisan fashion. The IRS relied in part on NPF's close relationship with the RNC in terms of overlapping directors and interconnected finances. For example, the IRS decision letter states, "[The] partisanship is exhibited in the key officers and personnel that founded and operate [the] organization." The ruling also states that the NPF "was created for the partisan objective of promoting a particular political party" and that "it operated primarily for the benefit of the Republican Party and politicians affiliated with the Republican Party."³¹

THE NPF UNDER JOHN BOLTON

After Baroody resigned, he was replaced temporarily by Daniel Denning. Ultimately, John Bolton, a former Reagan and Bush Administration official, assumed the presidency of the NPF. NPF also changed its focus from grassroots conferences to "megaconferences," where top industry officials, lobbyists, and Republican members of Congress convened to discuss issues that were often the subject of legislation pending before the U.S. Congress. In his testimony before the Committee, Barbour characterized the conferences as "serious events" where "the quality of the presentations was high."³² The megaconferences, however, were clearly intended to help raise money for NPF, which was by now heavily in debt to the RNC. For example, a February 8, 1996, NPF memo regarding "Fundraising Projections" states:

NPF will continue to recruit new donors through conference sponsorships. . . In order for the conferences to take place, they must pay for themselves or turn a profit. Industry and association leaders will be recruited to participate and sponsor those forums, starting at \$25,000.³³

Other evidence shows how this fundraising tactic was put into use. In March 1995, an NPF megaconference on telecommunications at which Senate Majority Leader Bob Dole and other Republicans spoke, provoked complaints from communications companies that had been asked for \$25,000 donations to NPF. One newspaper reported:

[E]ven though the \$25,000 payment is not mandatory to attend, company representatives professed surprise at the size of the contribution request. "It's pretty astounding," said one invitee. "If this doesn't have 'payment for access' (to top GOP lawmakers) written all over it, I don't know what does."³⁴

Moreover, a memorandum to Bolton from two NPF employees, Grace Wieggers and Dianne Harrison, notes that \$200,000 from US West was provided when NPF agreed to raise issues of concern to the company at a telecommunications megaconference.³⁵

But even the megaconferences and the personal fundraising efforts of Bolton, Barbour, and Brown were not enough to keep the Forum in sound financial health. The RNC had to transfer funds to the NPF continually to help the organization meet its expenses. Between June 1993 and September 1996 the RNC made over 50 transfers of funds to the National Policy Forum for a total of over \$4 million.³⁶ The internal RNC process for approving transfers of funds supports the view that the NPF was merely an extension of the RNC. According to the testimony of the RNC's Scott Reed, either Denning or Baroody called him to request loans from the RNC.³⁷ Reed rarely questioned why the money was needed; he would simply pass the request on to Jay Banning, an administrator at the RNC, who made sure that the loan documents were prepared, the money was transferred, and the general counsel's office was kept informed.³⁸ According to Reed, Barbour knew about the loans and did not object.³⁹

It is not completely clear why NPF was so expensive to run. It is possible that the staff was being used for partisan purposes relating to the 1994 elections and the Contract with America. Such nonpartisan activity might explain why in 1994, an election year, the staff ballooned from 20 to over 50.

Even if some of NPF's staff were being used for election activities, payments to at least one consultant, Joseph Gaylord, seem hard to justify. Gaylord, a strategist and political consultant to House Speaker Newt Gingrich, was hired as a fundraising consultant for the NPF by Denning and has acknowledged that he was paid \$7,500 a month. Gaylord had no written contract and had no idea how much money he raised.⁴⁰ In fact, Gaylord was never given any indication of what he was expected to raise.⁴¹ The available evidence suggests that during the time he was a consultant to the NPF -- more than a year -- Gaylord raised less than half of what

he was paid. Among the contributions he successfully obtained was a \$25,000 check from Panda Industries, a business associated with Asian businessman Ted Sieong. (See “Other Foreign Contributions,” below.)

BARBOUR SOLICITS AMBROUS YOUNG

In the summer of 1994, Barbour decided to pursue the suggestion by NPF fundraiser Fred Volcansek that Ambrous Young be approached for a loan or loan guarantee. Volcansek provided Barbour with a set of talking points for a discussion with approach Richard Richards, Young’s U.S. representative. The talking points, which Volcansek developed in concert with Fierce and Denning, encouraged Barbour to tell Richards that the Republican Party had a chance of capturing the Congress, but only if the party obtained badly needed funds. Volcansek made no distinction between the NPF and the RNC in the memorandum.⁴²

Richards testified at the hearing that Barbour telephoned him and said:

We have a problem. We at the National Committee have loaned the forum \$3 million. . . of money that we can use in the campaign, but, we have got a problem. We need to be able to take it out of the forum for our purposes, and we can’t take it out unless we replace it with something because the forum has overhead and other expenses. And I understand you represent a well-to-do Chinese fellow in Hong Kong who has previously been a beneficiary to the Republican Party. Would you be willing to talk to him about loaning us \$3 million for that purpose?⁴³

After Barbour talked with Richards, Volcansek provided Richards with a set of talking points for an approach to Ambrous Young.⁴⁴ Richards called Young and asked him if would consider making a \$3.5 million contribution to the National Policy Forum. The same themes that Volcansek had supplied to Barbour were reiterated to Young. Volcansek and Richards went to Hong Kong to meet with Young and to explore further the possibility of a donation to the National Policy Forum. Young agreed to consider a contribution, and said he would meet with Barbour in Washington. As soon as Volcansek returned to Washington he worked with Denning and Fierce to set up a meeting between Young and Barbour.

On August 29, 1994, Barbour hosted a dinner at Sam and Harry’s restaurant in Washington, D.C. The guests included Mr. and Mrs. Ambrous Young, Barbour, Fierce, Richard Richards, Steve Richards, Volcansek, and Denning. Barbour and Young testified that the dinner was largely a social occasion, but at some point in the evening there was some discussion of Young’s potential involvement with the National Policy Forum. For instance, quoting from his interview with Young on the subject of the August dinner, Becker testified that using the proceeds of a loan to pay off the existing debt to the RNC was “freely discussed at the dinner. . .”⁴⁵ Young stated in his deposition that during the dinner he told Barbour that any loan or loan guarantee would originate from Hong Kong: “The discussion was basically Mr. Haley Barbour requested me to consider for the loan of \$3.5 million and assured me of the safe return of the

loan. . . . I could not commit nor have the power to commit, but requested him to give us more information so that we can present it to the YBD (Hong Kong) board of directors for further consideration.”⁴⁶ Barbour claims he does not remember any discussion of this issue but does remember offering Young the opportunity to contribute a series of articles about China policy to the Forum’s publication, Common Sense.⁴⁷

Following the dinner, Volcansek prepared an NPF proposal for Ambrous Young. Once again, Volcansek tried to impress upon Young the need to assist the Republican Party. As Volcansek testified, his proposal was designed to convince Young that the funds provided a “greater opportunity to enhance what the Republican National Committee was going to do in the 1994 election cycle.”⁴⁸ Volcansek also stipulated in the NPF proposal that:

Chairman Barbour is committed to continuing his fundraising efforts on behalf of the NPF’s work and fully intends for the NPF to repay the loan. However, if there is any default by the NPF, he will authorize the guarantee of the RNC and ask for the Republican National Committee’s ratification. As Chairman of the RNC and the NPF, he intends to be certain that neither organization defaults on its obligations.⁴⁹

Volcansek clearly represented that the RNC was willing to indemnify the NPF and thereby indemnify Young on the loan guarantee. He claims he developed the specific language with another domestic fundraising source, whom he did not identify.⁵⁰

In addition to presenting Young with Volcansek’s NPF proposal, Barbour personally contacted Young to encourage him to make a loan. According to Young’s attorney Benton Becker, the men had “numerous telephone conversations.”⁵¹ At some point during the next several weeks, Young made the decision to assist Barbour and the NPF, although he decided against a direct loan -- perhaps on the advice of Volcansek, Denning, and Fierce who, as noted earlier, had decided that a loan guarantee could be organized more expeditiously than a direct loan. On September 9, Barbour was notified of Young’s willingness to assist when Stephen Young, Ambrous’s son, hand-delivered a letter to Barbour on the stationery of Young Brothers Development (Hong Kong). Young made clear that he “preferred to support the Republican Party under the same manner which we have done in the past if NPF’s existing requirement can be obtained from other channels.” He also decided to provide a guarantee of only \$2.1 million and not the \$3.5 million that had been originally requested. And he noted in the letter that Barbour had represented that the money was “urgently needed and directly related to the November election.”⁵² At this point Young asked Becker to work out the details.⁵³

THE LOAN TRANSACTION

Before committing Young to any written arrangement, Becker endeavored to determine how much risk his client would assume if he provided the NPF with a loan guarantee. Working with David Norcross, the general counsel to both the NPF and the RNC, Becker wanted to know what the NPF’s balance sheet looked like and what assurances in the event of a loan default Haley

Barbour was willing to offer. Daniel Denning, the chief operating officer of NPF, provided Becker with a list of fundraising pledges and commitments that reflected an increasingly robust and financially healthy organization -- albeit one based on contributions that had been either promised or were expected.⁵⁴ Becker was provided records that reflected that current NPF pledges exceeded \$2 million. He was told that “all committed pledges in the past had always been 100 percent honored.”⁵⁵

Even more reassuring to Becker was the letter he received from Barbour on August 30 telling him that in “the event NPF defaults on any debt, I will ask the Republican National Committee to authorize me to guarantee and pay off any NPF debts. I am confident the RNC would grant me such authority at its next meeting, provided there is valid outstanding debt of NPF to a U.S. bank or other lending institution guaranteed by a U.S. citizen or domestic corporation.”⁵⁶ Becker had not asked specifically for the letter, although he had indicated to Norcross “that before Mr. Young’s corporation would involve itself with this loan guarantee that we would like to see some sort of fall-back positions by the RNC in the event of a default by the NPF.”⁵⁷ Becker discussed the content of Barbour’s letter with Richard Richards, a former RNC chairman. Richards told Becker he considered Barbour’s statements in the letter to be a firm RNC commitment to protect YBD (Hong Kong) against any loss in the event of an NPF default of its bank loan. Becker therefore considered Barbour’s letter as a form of RNC indemnity for the NPF.⁵⁸ This is, of course, another strong indication that the NPF was nothing more than a subsidiary of the RNC.

Finally, Becker had asked Norcross to provide him with an independent opinion as to the legality of the transaction.⁵⁹ At Norcross’s request, Mark Braden, a lawyer at the Washington firm of Baker and Hostetler, provided that opinion. Although considered an election law expert, Braden was far from “independent.” He was a former general counsel to the RNC and involved with other nonprofit organizations connected to the RNC, as is discussed Chapter 12 of the Minority Report. Moreover, as Becker testified, Braden had been “given the relevant facts that formed the basis for this opinion letter” by his RNC successor.⁶⁰ Finally, Becker received Braden’s “independent” opinion letter not from Braden himself, but from Norcross.⁶¹ Braden opined that the loan guarantee transaction was entirely appropriate. He wrote, “We have been assured (and assume it to be true) that the partial repayment by NPF of such outstanding loan obligations will not be made to a political committee as defined by the [Federal Election Campaign] Act.”⁶²

On October 7, the structure of the loan guarantee was agreed upon and memorialized in a letter from Daniel Denning to Benton Becker and Ambrous Young.⁶³ Six days later, \$2.1 million was wired from YDB, Hong Kong to YBD (USA) in Florida. Within 24 hours the money was wired from Florida to Signet Bank in Washington where it was used to purchase 11 certificates of deposit that were in turn used to collateralize a \$2.1 million loan from the bank to the NPF. The plan was that as the NPF paid off the loan, CD’s would be released by the bank. The funds from the released CD’s would be wired back directly to YBD (Hong Kong) -- where the money to buy them had originated.

There are three notable aspects to the way in which the transaction was structured. First, steps were taken to conceal the origin of the funds by passing them through the Florida corporation. The money was only “parked” in the Florida account of Young Brothers Development, (USA) for several hours. YBD (USA), did not have sufficient funds of its own to purchase the CD’s used as collateral.⁶⁴ Volcansek testified that “because [NPF] was a 501(c)(4) corporation, the source of those funds, whether they be foreign or domestic, was irrelevant from a legal perspective. And so, therefore, any discussions that we had on it, nobody focused on it because we didn’t consider it to. . . be an issue.”⁶⁵ Nevertheless, Volcansek admitted that “Yes, I remember telling Mr. Barbour, Mr. Fierce, and Mr. Denning that this money would be coming from the Hong Kong corporation through the U.S. corporation as a loan to the U.S. corporation, and that it would be put up as the collateral for the loan guarantee.”⁶⁶

Second, after NPF received the money, \$1.6 million was wired almost immediately to the RNC -- leading to the inescapable conclusion that Barbour, the chairman of both organizations, all along had wanted the RNC to benefit from the loan guarantee. Third, after the NPF made several of the initial loan payments, CD’s were released and, at Becker’s direction, the funds were wired to Hong Kong -- confirming that the money was Hong Kong corporate money.

FUNDING THE CONTRACT WITH AMERICA

In his testimony before the Committee, Haley Barbour argued that the NPF could not have been a funnel to the RNC because “NPF failed to repay nearly \$2.5 million the RNC loaned it over four years ago.”⁶⁷ He called the notion of using the NPF to somehow circumvent the campaign finance laws “goofy.”⁶⁸ His argument, of course, only makes sense if one accepts the premise that the two organizations were separate. But, as shown above, the organizations were not independent. The contribution of over \$2 million in foreign money in the form of a loan guarantee to the NPF provided a critical infusion of funding to the RNC. Although in public testimony Barbour contradicted his earlier private representation that the money was needed in the 1994 elections, he did acknowledge that “the goal of the national committee, of the RNC, was that we wanted to put money into the campaigns late.”⁶⁹

Although the NPF received the loan proceeds on October 13 and immediately used \$500,000 to pay off outstanding bills, the NPF’s comptroller, Stephen Walker, asked Signet Bank not to disburse the remaining \$1.6 million to the RNC until October 20.⁷⁰ The most likely explanation for Walker’s request is that the RNC wanted to delay public disclosure of this inflow of funds to the FEC until after the November elections. October 19 was the last day of the FEC reporting period. Barbour admitted in his testimony before the Committee that he would have wanted a delay so that prospective GOP donors would continue to believe there was a need to donate.⁷¹ When the funds were transferred to the RNC, money was sent to 21 congressional races in 16 states.⁷²

The November election was a stunning success for the Republicans. They captured the Congress for the first time in 50 years. The money provided by Young Brothers contributed to

that success. Barbour testified that the RNC had not needed the money, but this is belied by the RNC's bank records and by Barbour's own statements at the time. Richard Richards and Volcansek testified that the money would be used for the 1994 races.⁷³ Moreover, it is clear that on at least two days, had it not been for the NPF infusion of cash, the RNC soft money account would have been in the red.⁷⁴

Following the 1994 election, Barbour wrote to thank Young for his help and scribbled at the bottom of his letter, "You're a champ."⁷⁵ A few weeks later, Young came to the United States and spent the day in Washington being escorted around Capitol Hill by Barbour. According to Young, he met with Speaker Gingrich and Senate Majority Leader Bob Dole and had his photo taken with both GOP leaders.⁷⁶ After the visit, Barbour wrote to Young, "I am delighted you were able to meet with both Senator Dole and Speaker Gingrich. They were pleased to hear your views on developments in Asia. Your discussion of the PRC leadership and how you see the next several years...was of great interest. . . . Your role as a key advisor on Asian policy is essential to both me and the NPF."⁷⁷

Testimony diverges considerably on what happened next. Richards and Young remember that Barbour approached Young in Hong Kong in 1995 about forgiving the loan.⁷⁸ According to Young and Richards, Young refused Barbour's overture and demanded that the loan be repaid. Barbour claims that the issue of forgiveness was not broached at this point; that Young had considered it a possibility from the beginning -- even before the loan guarantee was in place.⁷⁹ In his testimony before the Committee, Volcansek contradicted Barbour on this point: "One fact is crystal clear. When the loan was first made, it was not the intention of anyone that the certificates of deposit posted as collateral for the Signet loan to National Policy Forum would be forfeited to pay the loan."⁸⁰

THE TRIP TO HONG KONG

In the summer of 1995, Haley Barbour travelled to Hong Kong and raised the issue of forgiveness of the loan guarantee at a meeting on Young Brothers Development's corporate yacht, "Ambrosia." In essence, Barbour was proposing that NPF default on the loan, that Young Brothers's posted collateral be forfeited, and that YBD thereafter decline to pursue any civil action for reimbursement of loss against the NPF or RNC. Barbour was travelling in the Far East on his way back from a meeting of the International Democratic Union of which he was the U.S. chairman. Accompanied by Ed Rogers, his law firm partner, and Kirk Blalock, his assistant at the RNC, Barbour claims that when he asked Young to forgive the loan, Young said he would consider it.⁸¹ Young, however, testified that he told Barbour that the money was corporate money and that he could not act without the authority of his Hong Kong board of directors. Moreover, according to Young, he told Barbour that the Hong Kong financial authorities annually audited his company and that this kind of contribution to an American political party would raise concern.⁸² The discrepancy concerning Young's answer is important because if Young is correct, Barbour was on notice -- yet again -- that the money used to guarantee the loan to the NPF was Hong Kong corporate money. This completely contradicts Barbour's testimony at his deposition

that he did not become aware until 1997 that the funds used to collateralize the NPF loan came from Hong Kong.⁸³ Indeed, the very fact that Barbour was discussing this issue on a corporate yacht in Hong Kong Harbor undermines the credibility of his testimony that he did not know the source of the posted collateral was in Hong Kong.

THE TRIP TO CHINA

Young and Barbour met again several months later when Young accompanied Barbour and Richard Richards on a trip to Beijing. According to Barbour, the trip had been planned for many months and had been rescheduled on more than one occasion. In his deposition, Barbour acknowledged that he saw it as an opportunity to lobby Young for forgiveness on the NPF loan guarantee.⁸⁴ All participants testified that no business was transacted, although Young, Barbour, and Richards all have business interests in China. Young testified that he had not wanted to go to China, but relented only after Barbour made an appeal. But Richards indicated that Young had agreed to go because it “put powder on his face” to be seen in the PRC with the chairman of one of America’s major political parties.⁸⁵

In China, the Barbour entourage met with the Chinese foreign minister in what Barbour described as a courtesy call. The meeting lasted approximately half an hour, and no substantive discussion occurred. In the evening, an official from the Foreign Ministry hosted a dinner for the delegation.⁸⁶ Again, this appears to have been a purely social affair. The next day was devoted primarily to sightseeing. Any discussion of forgiving the Young loan guarantee was apparently brief and unproductive.⁸⁷

THE DEFAULT

During the spring of 1996 the RNC was in financial distress. Not only had it extended millions of dollars in loans to the NPF, but it had virtually subsumed the Dole presidential campaign by hiring staff and running “issue” ads on the candidate’s behalf. The NPF, for its part, had missed a loan payment to Signet Bank in March. This caused serious concern on the part of Young’s lawyer, Benton Becker. After discussions with RNC General Counsel Norcross and with lawyers at Signet Bank, a decision was made by NPF officials to postpone the payment -- to engage in an “allonge,” a banking term, whereby a missed payment is tacked onto the end of the loan schedule. This seemed to be an adequate solution, but in June the NPF again missed a payment. This time, the NPF chose not to reschedule the payment, but instead stated that it would make no further payments. NPF did not advise Becker or Young. It only advised Signet Bank, which then notified Becker that NPF had defaulted and that the collateral would be forfeited in 60 days.⁸⁸ Becker, in turn, informed Richards and Young.

Becker and Richards immediately began to try to find a solution. Richards tried to call John Bolton, the NPF president, no fewer than ten times. Bolton refused to accept his calls and never called him back.⁸⁹ Becker wrote to Norcross and suggested that perhaps the issue of the RNC’s reimbursement of YBD and its promise to “guarantee and pay off any YBD debts” could

be raised by the RNC budget committee at the Republican National Convention in August.⁹⁰ Norcross agreed to have it placed on the agenda, but when the budget committee convened and the issue was raised, Bolton tabled it.⁹¹ According to Richards, himself a past RNC chairman, the chairman chooses the membership of the budget committee and controls the agenda. Had Barbour been willing to have the issue of repayment to the NPF raised, Richards believes it would have been done. Absent Barbour's approval, the motion was tabled.⁹²

By September, Richards felt completely frustrated in his attempts to settle the issue amicably. On the 17th he wrote Barbour what he now describes as an "angry" letter in which he recited the chronology of the loan guarantee, clearly stating once again that the money used for the loan guarantee was known from the outset to be Hong Kong corporate money.⁹³ This was at least the fifth time Barbour had been made aware that the funds supplied for the NPF loan guarantee were of foreign origin. The letter reiterates that the money had been slated to help the Republicans win the Congress in 1994.⁹⁴ In his deposition before the Committee, Richards maintained that the entire letter was accurate except for one part which he claimed was skewed by his anger -- a reference to "business opportunities" in exchange for forgiveness.⁹⁵

Barbour testified that he regarded the Richards letter as so replete with inaccuracies and misstatements that he did not take it seriously. Barbour said he believed the letter was nothing more than "a negotiating tool to put pressure on me. . . It's also why I didn't give it credibility."⁹⁶ He disputes any charge that he should have been placed "on notice" as to the origin of the money by the letter. In fact, the evidence is overwhelming that Barbour knew from the outset that the money used to collateralize the loan came from Hong Kong. Barbour's denials to the contrary are not credible.

In early November 1996, the NPF, fearing a lawsuit was imminent, agreed to settle with YBD (Hong Kong) for the \$1.5 million loss YBD had sustained.⁹⁷ The funds were wired from the Republican National Committee to the NPF which, in turn, wired the money to Young Brothers Development (Hong Kong).⁹⁸ For the NPF, the fiction of Young Brothers's U.S. subsidiary seemed no longer necessary. Ambrous Young had forfeited -- involuntarily -- nearly \$800,000. He thought he had a promise from Haley Barbour, but it was never honored. In fact, Young said he never heard from Barbour again.⁹⁹

OTHER FOREIGN CONTRIBUTIONS

The NPF loan guarantee was not the only contribution from a foreign source received by NPF. At least one, and perhaps two additional large contributions came from foreign sources. As was the case with the NPF loan, the foreign contributions would have been legal if NPF were a legitimate nonprofit organization rather than an arm of the RNC. Because NPF was a unit of the RNC, the law's prohibition against foreign money being used for election activity is applicable.

During John Bolton's tenure as president, the NPF received a \$25,000 contribution from a foreign organization known as the Pacific Cultural Foundation.¹⁰⁰ When asked during a March

16, 1997 television interview to “tell the American people who gave hundreds of thousands of dollars to the National Policy Forum and did any of that money come from overseas,” Barbour responded, “None of the money came from overseas. . . period.”¹⁰¹ However, Barbour might have recalled that both he and Bolton communicated with the Taipei Economic and Cultural Representative Office with regard to the contribution.¹⁰² Barbour even personally thanked “Ambassador [Jason] He,” noting that the “generous contribution” would enable NPF “to continue to develop and advocate good international policy.”¹⁰³ Testifying before the Committee, Barbour admitted that he was aware that Ambassador He was the U.S. representative of the Taiwanese government and that the Taipei Economic and Cultural Representative Office functions as the de facto embassy for the government of Taiwan. Despite being the only contribution the Committee has discovered that is directly tied to a foreign government, the National Policy Forum never returned the contribution.¹⁰⁴

Another contribution that may be of foreign origin is a \$50,000 contribution to NPF from Panda Industries, Inc.,¹⁰⁵ a corporation associated with Ted Sioeng, a nonresident alien.¹⁰⁶ Companies and individuals associated with Sioeng have contributed to both Democratic and Republican candidates and to the Democratic National Committee.¹⁰⁷ Sioeng is reputed to have ties to Chinese officials and possible involvement in the China Plan discussed in Chapter 2 of the Minority Report.¹⁰⁸ The NPF contribution was made on July 18, 1995, and has been reported by the press to have been returned by NPF.¹⁰⁹ More information about this contribution is provided in Chapter 7.

CONCLUSION

As chairman of the Republican National Committee, Haley Barbour established and controlled a tax-exempt organization which he may have used in violation of the federal tax laws and election laws. Although the National Policy Forum claimed to be a nonpartisan, “social welfare” organization, Barbour used it initially to assist the Republican Party in policy-formation, by organizing fora where the party could receive grassroots input. The fora also helped to energize Republican activists. Barbour next used the National Policy Forum as a way to bring together powerful lobbyists and Republican policy-makers on Capitol Hill to raise money for both the Forum and for the Republican Party at large. Lastly, he used the National Policy Forum as a means to funnel money to the Republican National Committee in order to promote the Contract with America in 1994 and finance Republican campaigns in 1996. It is this last “use” on which the Committee focused its investigation.

Barbour has always maintained, correctly, that tax-exempt organizations can legally accept foreign contributions. Political parties, however, cannot accept such contributions. The critical question, then, is whether or not Barbour knew that the money he solicited from Young Brothers was foreign corporate money and whether he intended that those funds be used by the RNC for election purposes. Barbour claims that he had no knowledge of the origin of the Young Brothers collateralized funds, that the party did not need the money, and that he never solicited the

contribution with the idea that it would be used to help the Republican Party in any campaign. Barbour's version, however, is riddled with inconsistencies and contradicted by virtually every other witness with knowledge of the loan transaction.¹¹⁰

Barbour claims that he first learned in 1997 that the money used for the YBD loan guarantee was of Hong Kong origin. Barbour's testimony is contradicted by testimony and documentary evidence from Ambrous Young, Stephen Young, Fred Volcansek, Richard Richards, and Benton Becker, all of whom maintain that Barbour and/or his close advisers were aware that the YBD money used to collateralize the loan originated in Hong Kong. Ambrous Young testified that he told Barbour on two occasions that the money was from Hong Kong: at the August 1994 dinner in Washington, D.C., and in 1995 on the yacht in Hong Kong. Stephen Young hand-delivered a letter from his father to Barbour in September 1994 on YBD, (Hong Kong) stationery in which Young repeated Barbour's statement that the money was "urgently needed and directly related to the November election." Volcansek testified he informed Barbour of the origin of the money at a meeting at RNC headquarters in the summer of 1994. Richard Richards's September 17, 1996, letter, which Barbour acknowledges receiving, clearly states that the money came from Hong Kong. Volcansek and Becker also testified that key RNC officials who were close to Barbour were also aware of the source of the YBD loan guarantee: Volcansek told Fierce, an RNC strategist, even before the approach was made to Young, and Becker believes that David Norcross, the RNC general counsel, was also aware. In the face of all of this evidence, Barbour's denials are not credible. He had to know that the money guaranteeing the NPF loan originated in Hong Kong. Moreover, as noted above, evidence before the Committee shows that Barbour knew the loan proceeds would be transferred to the RNC, which would then use the funds for electoral purposes.

Barbour also is not credible on the question of forgiving the loan. Barbour testified that Ambrous Young was inclined to forgive the loan and that Young had told him this even before the loan guarantee was in place. Young flatly contradicts Barbour on this point, noting that he told Barbour on the yacht in Hong Kong that he could not forgive the loan unless he had the approval of the YBD (Hong Kong) board, because the company was subject to Hong Kong government audits. Richard Richards was aware of the meeting on the yacht and he testified that Barbour "raised the issue of forgiveness for the first time," and not, as Barbour testified, before the loan guarantee was even in place. Documents provided to the Committee by Young and Becker clearly demonstrate that Young and counsel were angry and disappointed upon learning of NPF's default of its bank loan. Barbour also testified in his deposition that Volcansek had been a party to conversations concerning forgiveness even before the loan guarantee was signed,¹¹¹ but Volcansek flatly denied that any such conversations took place.¹¹² The decision to default on the loan, according to Barbour, was made by himself and NPF's president, John Bolton.¹¹³ But Bolton stated under oath that he was "instructed, not consulted" about Barbour's decision to default.¹¹⁴

During the hearings on the NPF, Chairman Thompson expressed on several occasions his concern over Barbour's role in securing the YBD loan guarantee. At one point, Senator Thompson remarked to Barbour: "It would seem to me that you would think, in retrospect,

anyway, that all of this, plus the fact that you were heading both organizations, plus the fact that it was your platform, and the fact that you provided the seed money, would make any appearance of any foreign involvement that much more radioactive. . .”¹¹⁵ The Chairman continued, “[W]hen you are sitting on a boat in Hong Kong harbor talking to a gentleman who is a resident of -- a citizen of Taiwan, I mean that does raise certain other potential implications in terms of appearances.”¹¹⁶ Thompson concluded, “[I]t looks to me like you had a situation where this gentleman, whether he is a citizen or not, caused his company to put up some money that was lost at a time when he was thinking, anyway, that the RNC had a moral obligation to step in there and do what it could. . . . And he is holding the bag to the extent of \$800,000. So legalities aside, you know a deal is a deal, and don’t you think maybe you and I both ought to urge that that thing be looked at again?”¹¹⁷ The Minority believes that the RNC has both a moral and a legal obligation to return the \$800,000 foreign contribution.

1. When a loan is guaranteed, the bank can invoke the guarantee if the borrower defaults. If a third party has posted collateral, the bank can seize all or part of the collateral. Whichever approach is used, the guarantor or collateral-provider loses money if the borrower defaults.

2. Senator Glenn, 7/8/97 Hrg., p. 22.

3. Chairman Thompson said that he “was proud of [the] fact” that the Committee had issued a subpoena on April 9, although he never explained why he refused to enforce the order he issued after NPF failed to comply with the subpoena. Senator Thompson, 7/23/97 Hrg., p. 34. He also said that “if information comes to my attention that they or anybody else violates the order, we will take appropriate action. . . .” Senator Thompson, 7/23/97 Hrg., p. 38. He never did.

4. See appendix A: Chart showing instances where Haley Barbour’s testimony is contradicted.

5. Barbour testified that he was aware that there was some question as to the citizenship of Ambrous Young at the time the loan was being negotiated. Haley Barbour, 7/24/97 Hrg., p. 231. Senator Torricelli raised the possibility that Young’s dealings with NPF were to curry favor with the Republican leadership in Congress who, at the time, were considering tax treatment of expatriates. Senator Torricelli, 7/23/97 Hrg., pp. 152-53. Becker declined to provide any information on the matter of Mr. Young’s renouncement of his US citizenship, citing attorney-client privilege. Benton Becker, 7/23/97 Hrg., p. 137.

6. Benton Becker, 7/23/97 Hrg., pp. 40-42.

7. Benton Becker, 7/23/97 Hrg., p. 41.

8. Benton Becker, 7/23/97 Hrg., p. 41.

9. Scott Reed deposition, 7/11/97, p. 22; Haley Barbour, 7/24/97 Hrg., pp. 161-6.

10. Exhibit 263: NPF Press Release, 6/21/93.

11. Exhibit 273: Memorandum from Michael Baroody to Haley Barbour regarding Baroody’s reasons for resignation from NPF, 6/28/94.

12. Haley Barbour, 7/24/97 Hrg., pp. 111, 113.

13. Exhibit 258: Memorandum from Scott Reed to Haley Barbour, Michael Baroody and Ken Hill regarding NPF action, 6/2/93. Scott Reed did not testify before the Committee, although he did submit a statement. In that statement, he explained his reference to the June 2 memorandum: “At that time, American subsidiaries of foreign companies had shown an interest in contributing to the NPF. I believed at that time and believe today that the NPF legally could accept such contributions. What I did not know was Chairman Barbour’s position on accepting these

donations. I thought that he needed to make a policy decision and give the NPF some staff direction. That is why I highlighted this issue, among others, in my memorandum.” Scott Reed statement, 7/22/97. Barbour apparently did give the staff direction on the issue: Proceed to solicit foreign money.

14. Exhibit 273: Memorandum from Michael Baroody to Haley Barbour regarding Baroody’s reasons for resignation from NPF, 6/28/94.

15. Michael Baroody, 7/23/97 Hrg., p. 192.

16. Michael Baroody, 7/23/97 Hrg., p. 192. Baroody also testified that he discussed the concept of foreign fundraising with Bill Brock, a former RNC chairman, U.S. senator, and NPF board member. According to Baroody, Brock also thought it would be inappropriate to raise money abroad. Michael Baroody, 7/23/97 Hrg., p. 204. Brock was not interviewed by the Committee.

17. Michael Baroody, 7/23/97 Hrg., p. 208.

18. Fred Volcansek, 7/24/97 Hrg., pp. 56, 37-39. Volcansek believes he was asked to help because of his extensive international connections. Volcansek, 7/24/97 Hrg., p.58. Volcansek testified, however, that during 1995 he succeeded in raising several hundred thousand dollars from domestic sources. He made no reference to even attempting to raise money from foreign sources after recommending Ambrous Young. Fred Volcansek, 7/24/97 Hrg., p.15.

19. When asked why, as president of the NPF, he was not kept informed of Denning’s activities, Baroody replied, “I cannot answer that.” Michael Baroody, 7/23/97 Hrg., p. 211.

20. Fred Volcansek, 7/24/97 Hrg., p. 28.

21. Fred Volcansek, 7/24/97 Hrg., p. 31.

22. Michael Baroody, 7/23/97 Hrg., p. 248.

23. According to Volcansek, Steve Richards had told him that Ambrous Young might be interested in supporting the National Policy Forum because he was looking around for a think tank to which he could donate. Fred Volcansek, 7/24/97 Hrg., p.33. However, Steve Richards flatly denies that Ambrous Young ever said anything about looking for a think tank or that Richards ever made such a statement to Volcansek. Steve Richards deposition, 7/22/97, p. 17.

24. Exhibit 273: Memorandum from Michael Baroody to Haley Barbour regarding Baroody’s reasons for resignation from NPF, 6/28/94.

25. Exhibit 273: Memorandum from Michael Baroody to Haley Barbour regarding Baroody’s reasons for resignation from NPF, 6/28/94.

26. See Michael Baroody, 7/23/97 Hrg., pp. 193, 212-21.

27. Haley Barbour, 7/24/97 Hrg., p.116.
28. Memorandum from Jo-Anne Coe to Dole contributor Philip Anschutz, 5/29/95, DFP 004294.
29. Exhibit 259: Memorandum from Haley Barbour, John A. Moran, and Max M. Fisher to Team 100 Members regarding Team 100 Structure and Activities, 6/10/93. In his testimony before the Committee, Barbour disavowed the memorandum and claimed that “it was written by a staff member who happened to be my nephew. . . . But he screwed up.” Haley Barbour, 7/24/97 Hrg., p. 160, 161. Barbour then explained, “When I started and ran for chairman and said I thought there should be a policy institute, I was thinking it should be part of the RNC. As we went along, it became clear to me, before the National Policy Forum was founded, that that wasn’t the right way to do it.” Haley Barbour, 7/24/97 Hrg., p.161. During Baroody’s testimony, Chairman Thompson observed, “In a 501(c)(4), you are allowed some political activity. It is not supposed to be partisan political activity, but you are allowed some. But you are not supposed to be a subsidiary of a party.” Chairman Thompson, 7/23/97 Hrg., p. 25.
30. Exhibit 327: Memorandum from Kevin Kellum to Haley Barbour regarding Stephen Wynn, CEO of Mirage Resorts, 2/23/96, R013574. Barbour was at a complete loss to provide any credible explanation as to why Kellum would be writing him such a memorandum. He testified, “It’s -- it looks to me like he is -- and, again, I have no recollection of this. . . but it looks to me like he’s recommending three scenarios.” Barbour continued, “Well, I-- you know, I’m seeing this for the first time, don’t know if I’ve ever seen it before today.” When Minority Chief Counsel Alan Baron reminded Barbour that the memorandum was addressed to him, Barbour responded, “And I don’t -- I understand that. . .” Haley Barbour, 7/24/97 Hrg., p. 157.
31. Exhibit 353: Letter from the Internal Revenue Service to the National Policy Forum denying NPF tax exempt status, 2/21/97. The Committee obtained yet another document, Signet Bank’s Commercial Credit memorandum, in which the Bank’s credit analyst, responsible for assessing the creditworthiness of the NPF, concluded essentially that NPF was financially sound because it was an offshoot of the RNC. Exhibit 297: Signet Bank Commercial Credit Memorandum, 10/12/94.
32. Exhibit 353: Letter from the Internal Revenue Service to the National Policy Forum denying NPF tax exempt status, 2/21/97; Haley Barbour, 7/24/97 Hrg., p. 15.
33. SIG 00197. This memorandum had been provided to Signet Bank by NPF.
34. Daily Variety, 3/7/95; See also, Daily Variety, 3/9/95; The Village Voice, 8/6/96.
35. Exhibit 309: Memorandum from Grace Weigers and Dianne Harrison regarding megaconference sponsorships, 5/24/95. This memorandum should have been produced to the Committee, but it was not. Instead the Committee obtained it from another source.
36. See Appendix B.
37. Scott Reed deposition, 7/11/97, pp. 58, 59.

38. Scott Reed deposition, 7/11/97, pp. 64, 66.
39. Scott Reed deposition, 7/11/97, p. 62.
40. Joseph Gaylord deposition, 9/16/97, pp. 16-18.
41. John Bolton deposition, 7/15/97, p. 5.
42. Exhibit 277: Talking points for Haley Barbour, 7/28/94.
43. Richard Richards, 7/25/97 Hrg., p. 69.
44. Exhibit 278: National Policy Forum proposal for Ambrous Young, 8/15/94, 00280029.
45. Benton Becker, 7/23/97 Hrg., p. 107.
46. Ambrous Young deposition, 6/24/97, p. 35. Becker also testified that “Mr. Richards has advised me and informed me that he, too, had conversations with people at the RNC on that matter [source of funds]”. Benton Becker, 7/23/97 Hrg., p. 164.
47. Haley Barbour, 7/24/97 Hrg., p. 194. Young eventually did contribute to the publication. Becker testified that “the publication of the articles was not of great concern to Young.” Benton Becker, 7/23/97 Hrg., pp. 44, 45.

In response to Young’s claim that he told Barbour that the funds would originate from Hong Kong, Barbour testified, “[A]ll I can tell you is if he ever mentioned anything about a Hong Kong board or about Hong Kong authorities, either I didn’t understand what he was talking about or I just didn’t hear him.” Haley Barbour, 7/24/97 Hrg., p. 143.
48. Fred Volcansek, 7/24/97 Hrg., p. 38.
49. Fred Volcansek, 7/24/97 Hrg., pp. 38, 39.
50. Fred Volcansek, 7/24/97 Hrg., p. 39. According to Becker, shortly before the August 29, dinner, Young asked for his opinion about providing a loan guarantee to the National Policy Forum. Becker consulted with Richard Richards and “we were all of the opinion that the RNC should serve as a form of safety net or guarantor to Mr. Young’s company. . .” Benton Becker, 7/23/97 Hrg., p. 45.
51. Benton Becker, 7/23/97 Hrg., p. 44.
52. Exhibit 289: Letter from Ambrous Young to Haley Barbour regarding support of the Republican Party and NPF, 9/9/94, 0040.
53. When Senator Lieberman asked why Young, no longer an American citizen, would agree to help the Republican Party, Benton Becker testified, “Mr. Young had spent many years in Republican functions and activities, was very active in Republicans Abroad and then was active, I

believe, in the Reagan years and still had an affection for the Republican Party. . . . I think Mr. Young also saw that--some possibility that at some point in time his sons, who were American citizens, would come into and control and run his business and that kind of involvement with high government officials in Washington--at least the ability to sit and have dinner with them, or lunch, would not be harmful. He uses an expression, Senator, that I had never heard before, and his expression is, 'It put powder on my face.' It is an expression that he tells me is of Oriental extraction, and what he meant by that is that it made him feel better and perhaps allowed him to walk among people that he would not normally be able to." Benton Becker, 7/23/97 Hrg., p. 121.

54. Becker testified: "Based on what I saw, although approximately \$2 million in debt to the RNC at the time, the National Policy Forum appeared to be taking in significant contributions, mostly from well-respected Fortune 500 companies." Benton Becker, 7/23/97 Hrg., p.46.

55. Benton Becker deposition, 6/3/97, p. 44.

56. Exhibit 285: Letter from Haley Barbour to Benton Becker regarding loan guarantee for the National Policy Forum, 8/30/94, 0037.

57. Benton Becker, 7/23/97 Hrg., p. 67.

58. Benton Becker, 7/23/97 Hrg., pp. 46-47.

59. Benton Becker, 7/23/97 Hrg., p. 70.

60. Benton Becker, 7/23/97 Hrg., p. 95.

61. Benton Becker, 7/23/97 Hrg., p. 146.

62. Exhibit 292: Letter from Mark Braden to Benton Becker regarding the loan guarantee, 10/6/94, 0065. Senator Specter pointed out, "Mr. Braden is very explicit in his understanding that it will not be paid to a political committee, and that, in fact, is what is done. . ." Senator Specter, 7/23/97 Hrg., p. 144. The money was provided to the Republican National State Election Committee ("RNSEC"), the RNC's "soft money" account. Contributions to this account are not to be used for federal election activity, although it is common knowledge and practice for both parties to ignore the law's prohibitions on the use of soft money and to spend it on federal election activity.

63. Exhibit 293: Letter from Daniel Denning to Ambrous Young and Benton Becker, 10/7/94. It is noteworthy that the bank extended credit to the National Policy Forum because of the Forum's relationship to the RNC. Signet Bank's commercial credit memorandum states, "While NPF is a new customer to the bank, Signet has a longstanding relationship with the RNC with whom NPF shares a top-level management." The memorandum recommends "approval of credit facility as outlined above. This rating recommendation is based on the excellent collateral quality, the proven ability of Haley Barbour to generate political contributions, and the close relationship between the borrower and the Republican National Committee." Exhibit 297: Commercial Credit

Memorandum, 10/12/94.

64. Benton Becker, 7/23/97 Hrg., p. 123. According to Becker, the decision to use a collateralized loan guarantee was the bank's, because it "recognized that the financial statement of YBD (USA), absent the \$2.1 million that it acquired from its parent, would not support collateralization." Becker, 7/23/97 Hrg., p. 123.

65. Fred Volcansek, 7/24/97 Hrg., p. 42.

66. Fred Volcansek, 7/24/97 Hrg., p. 44. Volcansek claims that the only reason the money passed through Young Brothers, Florida, was because "[the bank] felt better about dealing with a U.S. corporation." Fred Volcansek, 7/24/97 Hrg., p. 69. However, there is nothing in the documents supplied by the bank to support this view.

67. Haley Barbour, 7/24/97 Hrg., p. 120.

68. Haley Barbour, 7/24/97 Hrg., p. 120.

69. Haley Barbour, 7/24/97 Hrg., p. 221.

70. Exhibit 299: Letter from Steven S. Walker to Kevin Killoren, Signet Bank, 10/13/94, NPF 000315.

71. Haley Barbour, 7/24/97 Hrg., p. 190.

72. FEC Records. See Appendix C: Soft Money Transfers Out After Young Brothers Loan.

73. See e.g., Richard Richards, 7/25/97 Hrg., p. 107; Fred Volcansek, 7/24/97 Hrg., pp. 27-28.

74. FEC Records, post general records for RNSEC account 10/20/94 - 11/28/94. See Appendix D: RNC's Soft Money Account Was Negative Without Foreign Linked Funds.

75. Exhibit 302: Letter from Haley Barbour to Ambrous Young, 11/29/94.

76. Ambrous Young deposition, 6/24/97, pp. 50-51, 71.

77. Exhibit 304: Letter from Haley Barbour to Ambrous Young, 1/31/95.

78. Ambrous Young noted: "On one of his trips to the Far East [Barbour] stopped over in Hong Kong and I invited him to join me for a drink, and he asked me to consider whether I can forgive the loan. [The conversation took place] on our yacht belonging to the company." Ambrous Young deposition, 6/24/97, p. 55. Similarly, when Richard Richards was asked by counsel, "Do you recall that Mr. Barbour met with Mr. Young on Mr. Young's yacht?" Richards responded: "I understand they did, when Haley went over the first time and asked him to forgive the loan. I wasn't there. But I know I heard Haley talk about the yacht." Richard Richards deposition, 6/10/97, p. 80. Richards also testified at the hearing: "I received a telephone call from Mr. Fred

Volcansek--I don't recall the date--and he told me that Chairman Barbour was going to Hong Kong, he was going to visit with Mr. Young, and at that time he was going to ask Mr. Young to forgive the loan. . . . I called Mr. Young to give him a heads-up that this may occur, and he called me after he met with Chairman Barbour and told me that Chairman Barbour had indeed asked him to forgive the loan.” Richard Richards, 7/25/97 Hrg., p. 75.

79. Haley Barbour, 7/24/97 Hrg., pp. 147-48.

80. Fred Volcansek, 7/24/97 Hrg., p.17.

81. According to Barbour, “he was saying that they would make a contribution to pay off the loan. That’s what I was thinking he was trying to tell me.” Haley Barbour, 7/24/97 Hrg., p. 145. At his deposition, Young testified to the opposite, i.e., that Haley Barbour suggested YBD make a \$2 million contribution to the RNC, which money the RNC would use to pay off the NPF loan. Young categorically refused. Ambrous Young deposition, 6/24/97, p. 59.

82. “I said no in the manner of an apology. I explained to him that we have difficulties to do that because the YBD (USA) money, which was guaranteed under the form of certificate, deposit certificate for the Forum loan, was a loan from YBD (Hong Kong), and YBD (Hong Kong), we are facing government audit every year. Without justification, the directors of the board, who approve such loan, could face government punishment. So, therefore, I explained this cannot be done.” Ambrous Young deposition, 6/24/97, p.57.

83. Haley Barbour deposition, 7/19/97, p. 129. At the very least, it strains credulity that Barbour was on a yacht in the middle of Hong Kong harbor with a man whose citizenship he claims not to have known and to have never felt compelled to inquire whether the money contributed to the NPF was of foreign origin. As Senator Thompson put it, “But when you are sitting on a boat in the Hong Kong harbor talking to a gentleman who is a evident of -- a citizen of Taiwan, I mean that does raise certain other potential implications in terms of appearances.” Chairman Thompson, 7/24/97 Hrg., p. 169.

84. Haley Barbour deposition, 7/19/97, p. 105.

85. Richard Richards, 7/25/97 Hrg., p. 102.

86. Haley Barbour deposition, 7/24/97, p. 104.

87. Haley Barbour deposition, 7/24/97, p. 105.

88. Exhibit 333: Letter from John S. Bredin to Benton Becker regarding the promissory note and credit and security agreement, 6/4/96, 0159.

89. Richard Richards deposition, 6/10/97, p. 50.

90. Exhibit 340: Letter from Benton Becker to David Norcross regarding National Policy Forum's outstanding loan from the Signet Bank, 7/15/96, 0177.
91. Richard Richards, 6/10/97 deposition, pp. 46-47.
92. Richard Richards, 6/10/97 deposition, p. 48.
93. Richard Richards, 6/10/97 deposition, p. 53.
94. Exhibit 349: Letter from Richard Richards to Haley Barbour regarding the YBD loan to NPF, 9/17/96, RB 014591.
95. Richard Richards deposition, 6/10/97, p. 70.
96. Haley Barbour, 7/24/97 Hrg., p. 146.
97. Signet Bank sent an interest payment of about \$50,000 to YBD (HK) and copied the NPF on the transfer. NPF, in turn, deducted that amount from the \$800,000 settlement it had agreed to pay YBD. Benton Becker, 7/23/97 Hrg., p. 183.
98. See Exhibit 351: Letter from Benton Becker to the National Policy Forum regarding the dispute between the National Policy Forum and Young Brothers Development (USA), Inc., 11/11/96, 0201.
99. Ambrous Young deposition, 6/24/97, p. 62.
100. Haley Barbour acknowledged the contribution was foreign in a 7/3/97 memo to NPF board members. Exhibit 372: Memorandum to the National Policy Forum Board Members from Haley Barbour, 7/3/97, NPF 003388.
101. Exhibit 374: Partial transcript of "Meet the Press," 7/13/97, replaying videotape of 3/16/97 interview with Haley Barbour. Months after the first interview, Barbour called interviewer Tim Russert to apologize for misleading Russert about the source of NPF's contributions.
102. Exhibits 381 and 382: Memos from John Bolton to Michael Hsu, Special Assistant, Taipei Economic and Cultural Representative Office in the United States, 8/7/96, NPF 003204 and NPF 003200.
103. Exhibit 383: Letter from Barbour to Ambassador He, 8/22/96, NPF 003203.
104. Haley Barbour, 7/24/97 Hrg., pp. 134-35.
105. Letter dated 6/18/97 from Thomas P. McLish, counsel, Akin, Gump, Strauss, Hauer & Feld, to Majority Counsel, Senate Governmental Affairs Committee special investigation, attachment entitled, "Tentative List of Political Contributions."

106. Staff interview with Jessica Elnitiarta, 6/19/97.
107. Staff interview with Jessica Elnitiarta, 6/19/97.
108. See Chapter 2 on the China Plan and Chapter 7 on Ted Sioeng; see also Los Angeles Times, 7/20/97.
109. See Chapter 2 on the China Plan and Chapter 7 on Ted Sioeng; see also Los Angeles Times, 7/20/97; Newsday, 9/14/97.
110. See Appendix A: Comparison of Barbour's Testimony with Documentary and Testimonial Evidence of Others.
111. Haley Barbour deposition, 7/19/97, pp. 96-99.
112. Fred Volcansek deposition, 7/21/97, p. 95.
113. Haley Barbour deposition, pp. 111, 139-140.
114. John Bolton deposition, 7/15/97, pp. 66-67.
115. Chairman Thompson, 7/24/97 Hrg., p. 167.
116. Chairman Thompson, 7/24/97 Hrg., p. 169.
117. Chairman Thompson, 7/24/97 Hrg., p. 170.